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BEHIND THE HIGH PRICE OF BEEF ----- W. R. KNIGHT, Ph.D.

Why is the price of beef so high? In the first place, it is not due to low supplies; this is apparent when one realizes that the rate of beef slaughter has increased faster than has our population during the past decade. Therefore, the primary explanation for the high price of beef lies in what has happened to the demand factor: that is, in recent years consumers have been willing and able to spend very generously for the available supplies of this commodity.

As every housewife knows, the price of pork is now much less than that of beef. This has not always been the case; actually, prices of leading pork cuts were about the same as those of beef pre-war (Table 1). Why does beef now sell for so much more? <sup>1</sup>

Table 1. Prices of leading beef and pork cuts in the United States, August 1951 compared with the 1935-1939 average.

	Price per pound		Percent increase since 1935-39
	August	1935-39	
	1951	Average:	
Beef			
Round steak	\$1.09	\$.34	223
Rib roast	.84	.29	190
Chuck roast	.74	.23	227
Hamburger	.66	.31	115
Pork			
Chops	.84	.33	154
Bacon, sliced	.68	.38	78
Ham, whole	.67	.29	129
Salt, pork	.39	.21	85

Source: U. S. Dept. of Labor, Monthly Labor Review, Oct. 1951, p. 521.

<sup>1</sup>In part, the lower prices for pork cuts are due to the high current rate of hog production; it is not entirely clear whether this factor is of major or minor significance in explaining the development of the present differential between pork and beef prices.

One reason (and perhaps the major one) appears to be that consumers have shifted their tastes in favor of beef.<sup>2</sup> This seems apparent from the fact that a great many people will not now substitute pork for beef in their diets even though pork cuts cost considerable less.

The wide differential between pork and beef at retail has been felt at the farm level. To be specific, a significant shift has occurred in the relative prices of hogs and cattle, upsetting a long standing condition of near-equality between the two. For many years prior to 1947, the price of a good grade of hogs was almost the same as that of cattle; in recent years, however, cattle have commanded a very large premium (about \$10 per hundred-weight) over hogs. In fact, the price for cattle has been so favorable that producers have been stimulated to expand the size of their herds substantially--a process now in full swing.

Will beef cattle continue to command a large price premium over hogs indefinitely? Very probably they will not. Long-run experience seems to indicate that, for the nation as a whole, it costs about the same amount per hundredweight to produce cattle as hogs; if this is true, the market prices for these two classes of livestock will eventually draw close together again.

What forces will bring beef and pork prices together? The adjustment process will be a rather complex one. In the first place, a drop in the value of beef is to be expected after the output of greatly expanded cattle herds begins to flow to market. This will depress not only the price of cattle, but of hogs also. Next, a lower price for hogs will discourage their production; a reduction will occur because, unlike the case for cattle, present prices do not contain a large profit margin for hog producers. As its output is curtailed, the value of pork will begin to rise to approximately its present level. The net effect will be a drop in the value of beef. Finally, too, of the total supply of meat, the proportion represented by beef will be greater, and that of pork less.

When will the adjustment occur? In view of the fact that it takes considerable time in which to build up cattle numbers, and because the shift in consumer taste in favor of beef may continue beyond its present stage, it may require two or more years before a drop in the value of beef becomes obvious. Several additional years will be required in which to adjust the level of hog production to the changed beef supply situation.

(In the next issue: "The Expansion of Beef Production in the United States")

#### BUSINESS AND ECONOMIC RESEARCH OPPORTUNITIES IN THE ATLANTA AREA ---- JOHN P. GILL, Ph.D.

Atlanta is well endowed with institutions of higher learning. There are numerous programs for undergraduate study; and some programs that lead to the Master of Arts degree.

The Atlanta Division of the University of Georgia is the second largest undergraduate school of Business Administration in the South and ranks eleventh in the nation. The student is given a wide range of courses and fields of business in which

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<sup>2</sup>The fact that the pork cuts with a high lard content (such as bacon and salt pork) have risen least of all in price since pre-war suggests that consumers have been trying to avoid the purchase of fat. In other words, the flavor of pork may be as desirable to consumers as before.

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he may major for the degree of Bachelor of Business Administration.

This, however, is but the beginning of a much more fruitful aspect of higher education in business in the Atlanta area. At our doorstep are located major government and business regional offices. Manufacturing and distribution are all around us. Power dams are built or are being built around us. Agriculture, which is gradually pulling itself out of a single-crop system, surrounds us to remind us of its great importance.

One looks around at all of this and wonders why institutions of higher learning have not grasped the opportunities to go into these factories, these stores, these great banking institutions, and learn more about them.

There is a walth of factual data available in the regional offices of government and business which would keep graduate students of business and economics busy for a long time. In turn, these studies can be used by our Southern business leaders to guide them in enhancing their position relative to the national business picture.

Case studies of individual types of businesses and industries offer a multitude of prospective useful theses for Master and Doctoral degrees in business and economics.

Furthermore, men and women in business have a wealth of practical experience which, with proper guidance and added study on the graduate level, would qualify them to write most useful theses and dissertations in the field of business and economics.

It is the hope and wish of this writer that the time is not too far off when opportunities for both Master degrees and Doctoral degrees in business and economics will be tremendously increased in the Atlanta area, the Hub of the greater South.

PROPERTY OWNED BY THE STATE OF GEORGIA<sup>1</sup> ----- G. G. MAUGHON, M.Ed.

In the October issue of this publication mention was made by the author concerning several pieces of property owned by the state of Georgia, but due to limitations of space, the subject was not exhausted.

The state owns the state capitol and the square in the city of Atlanta upon which it is situated, and the several buildings and lots contiguous thereto in which offices of the state government are located.

It owns the Rhodes Memorial Building on Peachtree Street in Atlanta, occupied by the Department of Archives and History. Also, the Governor's mansion in Ansley Park, together with its furnishings, is state property.

The square on the Southwest corner of Peachtree, Cain, and Spring streets in Atlanta, on which the Governor's mansion formerly stood, now occupied by the Henry Grady Hotel and other buildings, is owned by the state of Georgia. This square was leased on a graduated scale of \$20,000 per year from 1922-31; \$25,000 per year from 1932-41; \$30,000 per year from 1942-51; \$35,000 per year from 1952-61; \$43,500 per year from 1962 until the lease expires in 1972.

Georgia owns the old capitol building and the square upon which it is located in Milledgeville. The Board of Trustees of the Georgia Military Academy has been

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<sup>1</sup>References: John C. Meadows, Modern Georgia, Athens, Ga.: The University of Georgia Press, 1948. Also data from the Georgia Department of Agriculture.

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given and granted certain land which constitutes part of the old capitol square; also the old executive mansion and the site of the old state penitentiary; also the old prison farm near Milledgeville, the buildings, improvements and the equipment thereon are leased to the Board of Education of Baldwin county at a rental of \$1.00 per year. The state owns twenty-five feet of land in the City of Milledgeville along the east side of the First Presbyterian Church, and leased it in 1945 to the church for ninety-nine years at a rental of \$1.00 per year.

Georgia owns the prison and prison farm in Tattnall county, and the prison near Buford.

The state owns the following stock: 186 shares in the Georgia R.R. and Banking Co., and dividends on the stock are paid to the state; 440 shares in the Southern and Atlantic Telegraph Company, endorsed by the Western Union Telegraph Company, on which the state receives dividends.

The state-owned market located on Murphy Avenue, Atlanta, occupies sixteen acres of valuable property and buildings, and both space and buildings are leased for marketing purposes. In addition, the state owns marketing facilities at the following places: Macon, Thomasville, Valdosta, Columbus, Pelham, Cordele, Moultrie, Tifton, Glennville, Nashville, Hazlehurst, Vidalia, Rome, Leesburg, Toccoa, Athens, Donaldsonville, Jesup, Thomson, Waynesboro, and probably some others which have been lately added to this list. In most cases, the site and the buildings are furnished by local people and are deeded to the state. In turn, the State Department of Agriculture furnishes the manager and operates the market during the marketing season.

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